



# THE COST OF COLLEGE

HOW TEXAS STUDENTS AND FAMILIES  
ARE FINANCING COLLEGE EDUCATION

CENTER *for* PUBLIC POLICY PRIORITIES



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## Center for Public Policy Priorities

For 25 years, the Center for Public Policy Priorities has been a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. The center pursues this mission through independent research, policy analysis and development, public education, advocacy, coalition-building, and technical assistance. To learn more, visit [CPPP.org](http://CPPP.org).



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## Acknowledgement

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June 2012

# INTRODUCTION

Financial aid enables thousands of Texans with limited financial resources to pursue postsecondary education, but need-based grant aid is under attack at state and federal levels. With new restrictions on need-based aid coupled with state budget cutbacks, financial aid rationing threatens college access, persistence, and success for a young and growing population in Texas. During the last decade, we have witnessed a substantial cost shift—from the federal and state governments picking up a sizable portion of the total cost of attendance, to working students and families footing more of the bill.<sup>1</sup> With deregulated tuition and inadequate state financial aid, families with modest incomes increasingly rely on working during school and taking out student loans to pay for college. Over half (54 percent) of students who drop out of college report that they leave school because of the stress of working and going to school at the same time.<sup>2</sup> And nearly one third (31 percent) who drop out report the cost of college tuition and fees as major reasons why they left school.<sup>3</sup> College access and success promotes economic development, but the state of Texas is a diminishing source of funding for low-income students with financial need.

With the right planning, preparation, and investment for students with financial need, Texas policymakers and institutions of higher education can create opportunities to enable more Texans to pursue postsecondary education, prepare them for good jobs, and promote economic development.

This policy primer provides an overview of state and federal financial aid and outlines the challenges for students and families picking up the largest share of college costs. This primer also makes recommendations to create a more efficient and robust state financial aid system that works better for Texas students and families.





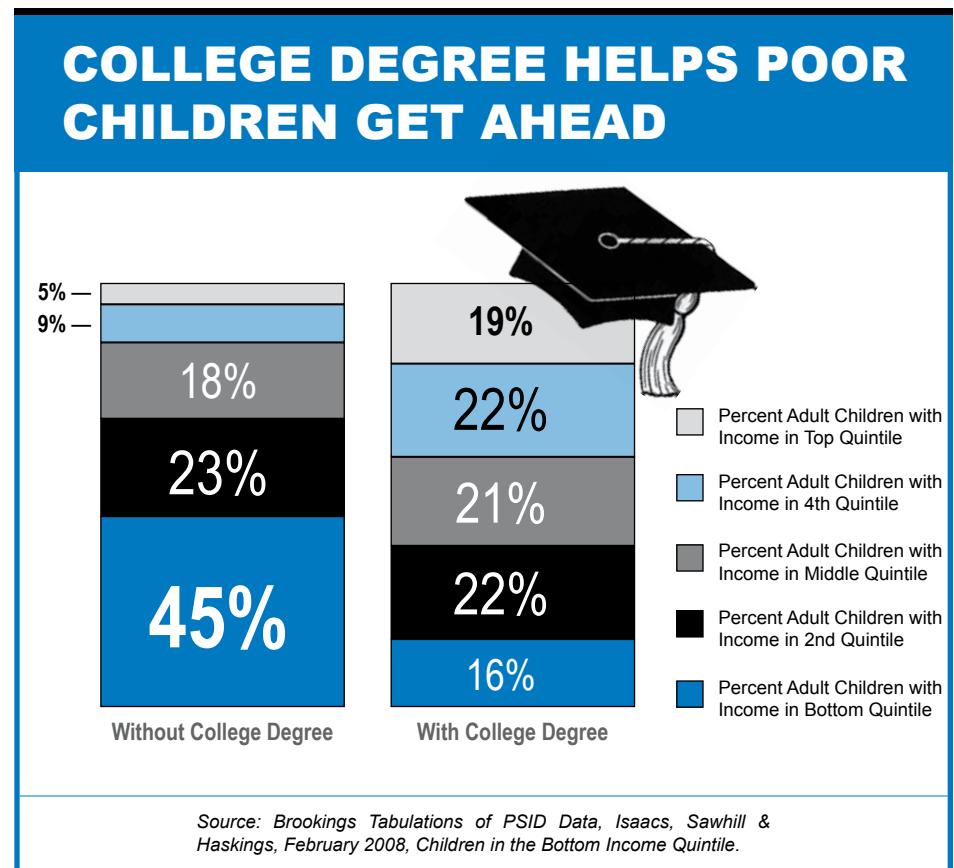
# HOW POSTSECONDARY SUCCESS GENERATES ECONOMIC OPPORTUNITY

A college-educated workforce increases economic vitality through higher personal incomes, a broader tax base, less reliance on public assistance, lower unemployment rates, lower crime rates, and better overall community well-being and opportunity. Every dollar invested in Texas' higher education plan, *Closing the Gaps by 2015*, is projected to generate over \$8 in economic activity.<sup>4</sup> This return-on-investment would generate:

- about \$489.6 billion in spending,
- \$194.5 billion in gross state product,
- \$121.9 billion in personal income, and
- an increase of over 1 million permanent jobs by 2030.<sup>5</sup>

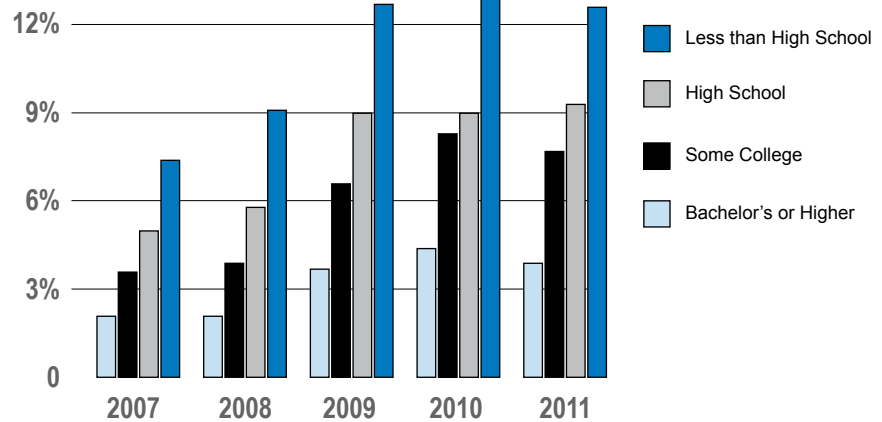
A skilled, trained workforce enables communities to attract and retain emerging industries that provide good jobs. For individuals, a college degree or credential can chart a career path that provides job security, a competitive edge in the job market, a middle-class income, and the opportunity to build assets that promote financial security. For Texas, this challenge is especially important given the rising proportion of students who are low-income or economically disadvantaged.

A postsecondary degree generates upward mobility for economically disadvantaged students. A low-income child who earns a college degree is four times more likely to become a top-income earner in adulthood compared to a low-income child without a college degree.<sup>6</sup>



While a bachelor's degree provides no guarantee against unemployment, Texans with less than a college degree have higher unemployment rates regardless of the strength of the economy. During the Great Recession—which officially lasted from December 2007 to June 2009—Texans with less than a high school degree were three times more likely to be unemployed than those with a bachelor's degree or higher. And unemployment rates for those without a high school diploma shot well above 12 percent, and appear to be elevated for years to come.

### UNEMPLOYMENT RATE GREATER FOR TEXANS WITH LOWER EDUCATIONAL ATTAINMENT



Source: Economic Policy Institute analysis of Current Population Survey data.



### Financial Aid For Texans Today and Tomorrow

A robust financial aid system is essential in ensuring that all Texans, especially those least able to afford college, have access to postsecondary education to prepare them for future jobs that pay family-supporting wages and lead to a durable career.

With the state's higher education plan, *Closing the Gaps by 2015* (CtG), Texas policymakers have committed to improving our college access and completion rates through adequate financial aid investments for low-income students. CtG includes financial aid as a major strategy to close college enrollment gaps by providing "grants and scholarships to cover tuition, fees, and books for every student with financial need..."<sup>7</sup> Yet progress towards CtG goals is lagging, especially in participation among African American males and Hispanics.<sup>8</sup> And state grants fail to serve all students with financial need.

Even with budgetary increases in TEXAS Grants in the 2010-11 biennium—the state's major need-based grant program—only 70 percent of eligible first-time-in-college students received a grant. But the Legislature's 10 percent cut to the TEXAS Grant program and an overall cut of 15 percent to state financial aid programs for the 2012-13 biennium could stymie our momentum toward increased participation and success as costs continue to rise and average TEXAS Grant awards decline.<sup>9</sup> Between 2000 and 2011, after adjusting for

inflation, tuition and fees rose at an annual rate of 5.5 percent at public four-year institutions, and 4 percent at public community colleges.<sup>10</sup> In constant dollars, Texas undergraduates in 2011 paid \$3,031 more annually at public universities, and an additional \$671 annually at community colleges.<sup>11</sup> The TEXAS Grant program investments have helped counter the increases in tuition and fees, although without full funding, not all students receive the grant aid needed to fill the gap between federal aid and rising tuition and fees.

Crafting college financial aid and financial preparation activities to reach students with financial need is critical to ensure that incoming students have the resources needed to succeed and complete their studies.

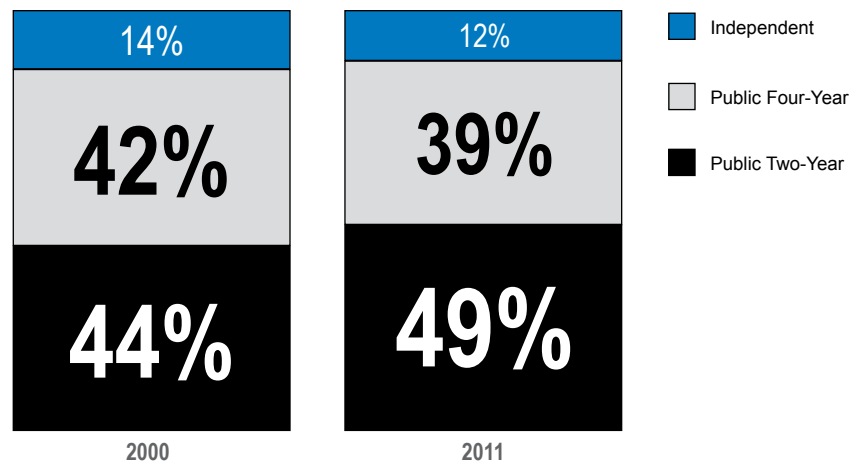


## The Emergence of “Nontraditional Students”

Most financial aid programs are designed for the “traditional” college student who leaves home at the age of 18, lives on campus, and attends school full-time. However, Texas college students are more likely to be attending college on a part-time basis and a growing number of college students are over 21. Just under half (44 percent) of Texas’ undergraduates attend school part-time.<sup>12</sup> At public two-year institutions, 64 percent of full-year enrolled students attend part-time, and more than one quarter (27 percent) of students at four-year public institutions attend part-time.<sup>13</sup>

In growing numbers, Texas college students are attending community colleges as opposed to four-year universities. Nearly half (49 percent) of Texas college students attend community colleges, where the majority of enrollment growth has occurred since 2000.<sup>14</sup>

### HALF OF TEXAS’ UNDERGRADUATES ENROLLED AT TWO-YEAR INSTITUTIONS

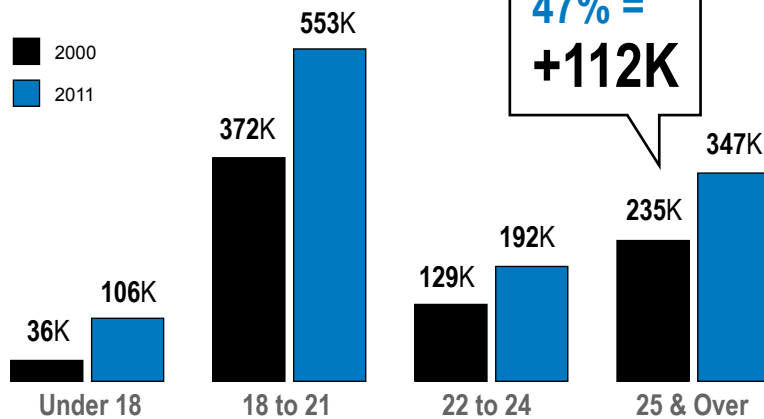


Source: CPPP Analysis, Texas Higher Education Coordinating Board, *Closing the Gaps Progress Report 2011* and Texas Higher Education Accountability Database (Undergraduate student enrollment).

Between 2000 and 2011, enrollment of nontraditional-aged students—those over the age of 24—at public institutions of higher education grew by 47 percent, or 112,000 students.<sup>15</sup> All told, of the nearly 1.2 million Texans enrolled in two- and four-year public institutions, 347,000 or 29 percent are nontraditional-aged students, indicating that a significant share of Texas college students are financially independent of their parents and carry family responsibilities in addition to their course loads.<sup>16</sup>

**SIGNIFICANT  
GROWTH IN  
OLDER  
STUDENTS**

## ENROLLMENT INCREASES 48% IN TEXAS PUBLIC HIGHER EDUCATION



Source: CPPP Analysis, Texas Higher Education Coordinating Board, *Closing the Gaps by Accountability database, public two- and four-year institutions Fall enrollment 2000 and 2011.*



## Working During School

College students are working long hours while enrolled to help cover college costs. Nationally, more than half of independent students—those who are not supported financially by their parents—work more than 35 hours per week. First-generation college students, African American and female students are more likely to be independent students compared to white students, men, or children of college graduates.<sup>17</sup> Working during school can benefit students, but too much work can affect attendance, persistence, and college completion, especially for those working more than 20 hours per week.<sup>18</sup> And working off-campus as opposed to on-campus has a negative impact on student persistence.<sup>19</sup>

Working during school is a necessity for college students in Texas and across the country. The lack of adequate financial aid and the rising cost of college leave most students unable to attend full-time due to a heavy work schedule to pay for school. And not all independent students will be able to work or earn amounts comparable to what they earned prior to enrolling in school, yet they are expected to contribute more to their education compared to dependent students and their parents who are more likely to maintain a steady income.<sup>20</sup>



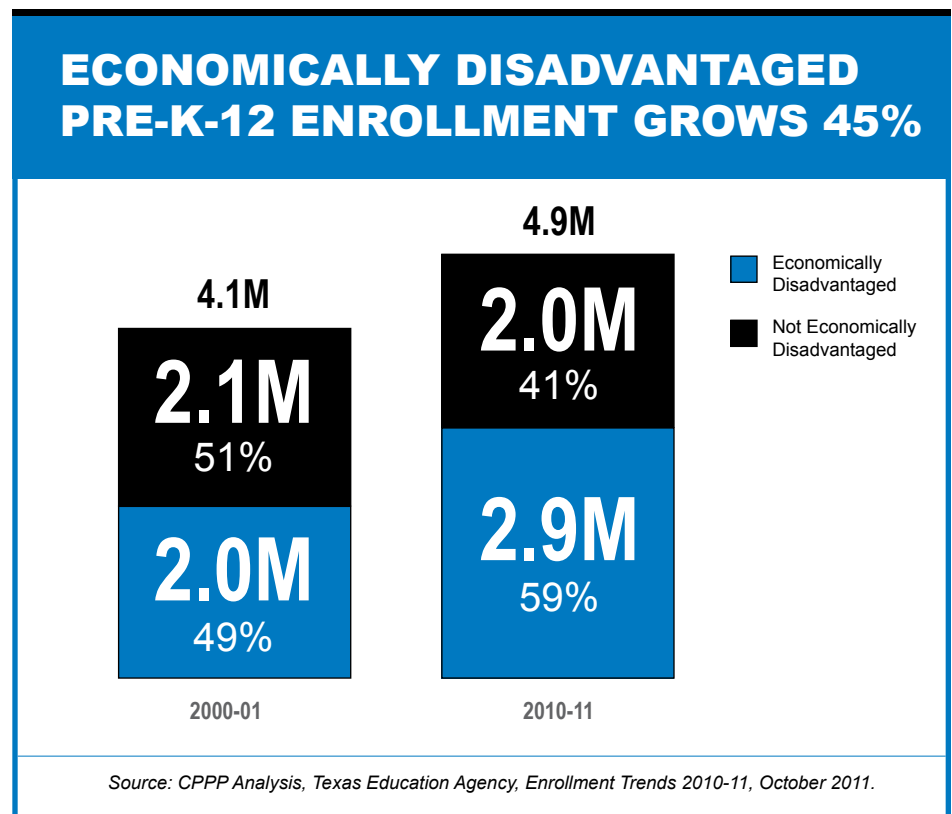
## A Changing Demographic

To effectively set financial aid investments in Texas, state policymakers also must account for the rapid growth in the number of students, especially the growing majority who are economically disadvantaged.



Between 2000 and 2010, the state's population grew by 20.6 percent to more than 25 million people, twice the national growth rate.<sup>21</sup> The child population grew by 979,000 to 6.9 million children in 2010, indicating a significant rise in prospective college students in Texas.<sup>22</sup> Enrollment at public institutions of higher education is projected to increase by 62 percent between 2010 and 2040.<sup>22, 23</sup>

Texas public pre-K-12 students, however, come from families with lower financial resources than in years past. Between 2000 and 2011, Texas public school enrollment of economically disadvantaged students—those eligible for free or reduced-price meals, the Child Nutrition Program—increased 45.5 percent to 2.9 million students.<sup>24</sup> More than half of these students—65 percent or 1.9 million—were Hispanic. In 2010-11, economically disadvantaged students made up 59.1 percent of total public school enrollment compared to 49.2 percent 10 years ago (2000-01), with Hispanic students accounting for nearly three-quarters (74 percent) of the growth.<sup>25</sup>



In 2003, Texas became the fourth “majority-minority” state in the United States, when the non-Hispanic white population dropped to 49 percent of the total. In 2010, the non-Hispanic white population accounted for 45 percent of the total Texas population, and much of the growth over the next 30 years is projected to occur among the Hispanic population.<sup>26</sup> The Texas State Data Center projects that Hispanics will make up 42.4 percent of the Texas population by 2020, and 52.6 percent by 2040, with whites accounting for one-third or less during the same time period.<sup>27</sup>

With a growing low-income majority in Texas public schools, future college students will have fewer resources to pay for school, and financial need will continue to grow. Ensuring that Texas’ financial aid investments can meet the needs of prospective college students is imperative not only for individual student success but also for the competitiveness of the Texas economy.

# TRENDS IN FINANCIAL AID



## Financial Aid Funding

National trends show that states are steadily backing away from their commitment to providing adequate financial aid, with the federal government picking up the lion's share. In Texas, \$5.99 billion—nearly three-quarters (73 percent) of all student aid in fiscal year 2010—came from federal sources.<sup>28</sup> This represents an increase of 27 percent, or \$1.26 billion between 2009 and 2010.<sup>29</sup>

Although Texas increased financial aid investments between 2000 and 2011 and is poised to meet enrollment goals under *Closing the Gaps*, the state still lags much of the rest of the country in its financial aid commitments. For every \$1.00 invested in the federal Pell Grant program, Texas invests 32 cents, compared to 56 cents in California and 88 cents in New York.<sup>30</sup> Texas' tuition and fees at public institutions are slightly lower than the national average, and Texas allocates a lower percentage of higher education funding toward grant aid, with the state investing 10.2 percent of funding to grant aid compared to 11.9 percent nationally.<sup>31</sup> And Texas college students get a majority of their financial aid funding through loans, with 52 percent of financial aid received by Texas college students in the form of loans in 2010.<sup>32</sup>

As Texas continually underfunds grant aid for low-income students, thousands of Texas college students do not receive sufficient aid to pursue full-time coursework. This in turn makes college completion more costly, often leading to lower persistence rates for students who must work and use loans to finance their college education.



## Prioritizing Merit Criteria in Need-Based Grant Programs

With declining financial aid and increased demand for better higher education outcomes, many state legislatures are requiring needy students to meet new merit criteria to qualify for grant aid. Nearly 90 percent of state financial aid programs in the United States were need-based in 1985<sup>33</sup>, but by 2005, less than 80 percent of state aid was allocated based on financial need. Nationally, undergraduate financial aid requiring a merit component increased 43.5 percent from \$2.3 billion in 2004-05 to \$3.4 billion in 2009-10.<sup>34</sup> While most Texas financial aid programs are based on need, nearly half (49.4 percent) of undergraduate aid includes a merit-based eligibility component as well. In fact, only 23 percent of aid in Texas is based solely on need.<sup>35</sup>

# OVERVIEW OF FEDERAL & STATE GRANTS & WORK STUDY



## Grants

Grants are traditionally the foundation of any financial aid package. Grants do not have to be paid back and can be awarded based on financial need, merit, or a specific course of study.



## Federal Grants

The federal Pell Grant is typically the first source of aid awarded to students with financial need. Established by the Higher Education Act of 1965, as amended, the Pell Grant (formerly the Basic Education Opportunity Grant) was the first federal need-based financial aid program.<sup>36</sup> The Pell Grant targets financial need for low- and middle-income students in paying for college.

Degree-seeking undergraduate students are eligible to receive Pell Grants. Previous defaults on student loans or drug convictions will make a student ineligible. The individual grant amount is determined by:

- the student's Expected Family Contribution (EFC);
- the cost of attendance at the chosen institution; and
- part-time/full-time status.

Students with a “zero-EFC” automatically qualify for the maximum Pell Grant. On the high end of eligibility, a student's EFC must be at or below 95 percent of the maximum Pell Grant amount of \$5,500 to qualify for smaller Pell Grants.<sup>37</sup> In 2010, 61 percent, or 450,000, Texas public undergraduate students at two- and four-year institutions received \$1.7 billion in Pell Grants.<sup>38</sup> And 24 percent or 29,000 students at private four-year institutions, received \$114 million in Pell Grants during the same time period.<sup>39</sup>

**REFER TO  
APPENDIX A  
& APPENDIX D**

## 2012 FEDERAL BUDGET CUTS PELL GRANTS FOR “ABILITY TO BENEFIT” STUDENTS

The 2012 Federal budget eliminated Pell Grants for college-bound students who do not have a high school diploma or GED. Under previous eligibility provisions, students with a secondary degree from another country or those who did not finish high school or complete their GED in the United States could get a Pell Grant by proving their “Ability to Benefit” from postsecondary education. Students qualified by taking an approved test or successfully completing six credit hours.

This change is expected to impact low-skill, adult basic education students seeking postsecondary training, as well as immigrant students who did not complete their high school diploma or GED in the United States. Texas community colleges have worked vigorously to promote co-enrollment programs that combine college-credit courses and basic skills training. These innovative programs help students accelerate their path to a postsecondary credential. Ensuring college tuition discounts or waivers for adult basic education students would help keep enrollment costs affordable and ensure the continued success of these programs.

In the 2012 federal budget, Congress preserved the maximum Pell Grant, but eliminated summer Pell Grant awards—known as the “Two Pell Grants in One Award Year”—for students who attend school year-round. Students who wish to complete their degree faster by attending school during summer will have fewer grant dollars to achieve their academic goals, thereby increasing their reliance on loans or work to cover the additional costs.

Other changes to the Pell Grant program include limiting awards to 12 full-time semesters, down from 18 semesters. This provision is retroactive and will impact current recipients beginning July 1, 2012. Based on the 2002 cohort of first-time-in-college Pell Grant recipients in Texas, this provision will disproportionately impact low-income African American and Hispanic students compared to low-income white and Asian students. Overall, 10 percent or nearly 1,800 Pell Grant recipients in Texas would have been cut off from Pell support if the law had gone into effect in 2008 without advance notice.<sup>40</sup> And 13 percent of African American and 11 percent of Hispanic students receiving a Pell Grant would have been cut off from support compared to 7 percent of both white and Asian students.<sup>41</sup>

Congress also eliminated funding for the Academic Competitiveness Grants and the National SMART Grant program beginning in academic year 2011-12.<sup>42</sup> These grants were available to Pell Grant recipients or students who demonstrate exceptional financial need and required all applicants to demonstrate exceptional academic achievement.

The Federal Supplemental Education Opportunity Grant program is available to Pell Grant recipients or other students with exceptional need. Maximum awards are set at \$4,000.



## Federal Work-Study

The federal work-study program accounts for a small share of federal financial aid, but provides low-income students with the opportunity to work a flexible part-time schedule while enrolled in school. Work-study jobs differ from traditional jobs because employers must work around a student’s schedule, thereby providing students flexibility to schedule their work hours around their studies. Work-study also provides on-campus opportunities, contributing to a student’s engagement on campus. On-campus work-study jobs are associated with higher persistence rates compared to students working off campus.<sup>43</sup>

While awards vary widely, Texas’ average federal work-study award increased about 10 percent in inflation-adjusted dollars between the 1999-2000 and 2009-10 academic school years from \$1,714 to \$1,886.<sup>44</sup> Federal work-study aid served 31,888 Texas college students at public, private, and for-profit institutions in 2010.<sup>45</sup> The 2012 federal budget cut work-study funds by 0.19 percent, thereby reducing the number of work-study jobs.

**MORE AT  
APPENDIX F**



## State Grants

Various grants are funded by the state budget and tuition set-asides.

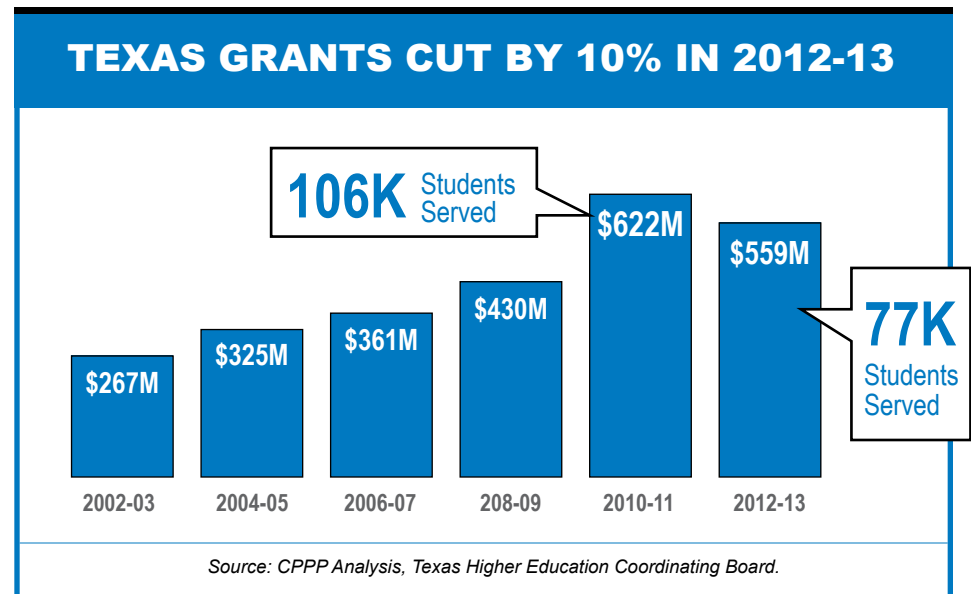
### TEXAS GRANTS

Created in 1999 by the Texas Legislature, the Towards Excellence Access and Success grant (TEXAS Grant) is the largest need-plus-merit grant program in the state. During its first decade, students demonstrating financial need and completion of the Recommended High School program were eligible to receive a TEXAS Grant on a first-come, first-served basis. In 2011, the Legislature added merit criteria to prioritize grants for students demonstrating academic achievement by meeting two of four criteria (beginning fall 2013):

- meet Texas Success Initiative standards;
- graduate in the top third of a Texas high school class or maintain a B or higher;
- take an advanced math course; or
- complete a rigorous high school curriculum in Texas such as dual credit or Advanced Placement courses.

Students with an associate's degree from a Texas public community or technical college also are eligible to receive a TEXAS Grant if they enroll at a Texas public university within 12 months.

Even with nominal increases in TEXAS Grant appropriations over the past decade, the Legislature has not adequately funded grant aid to serve all eligible students. Due to revenue shortfalls, the 82nd Legislature cut funding for this program by \$62.5 million, or 10 percent, for the 2012 and 2013 academic years.



At this funding level, the program will serve all renewal students and approximately 30 percent of new eligible college freshmen at two- and four-year institutions.<sup>46</sup> Although the Texas Higher Education Coordinating Board (THECB) does not have legislative authority to set new award amounts, it has recommended that colleges set lower average award amounts to reach more students. If implemented, the recommended award amounts would potentially serve over 50 percent of new eligible students and all renewal students.



## AVERAGE TEXAS GRANT AWARD AMOUNTS FISCAL YEARS 2012 & 2013

	Statutory Amounts	THECB Recommended Amounts
Universities and State Colleges	\$7,100	\$5,000
Community Colleges	\$1,890	\$1,325
Texas State Technical Colleges	\$3,540	\$2,500
Percent of Eligible Freshmen Served	30%	50%
Source: Texas Higher Education Coordinating Board, 2011		

The TEXAS Grant has helped Texas public college students cover tuition, fees, books, and other college expenses, leaving them less reliant on loans. But lower award amounts and continued cuts will leave students and families more dependent on loans and working even more during school to cover college costs. Additional financial hurdles could lengthen the time to completion or result in non-completion for many students who lack the resources to pay for college, thereby reducing college completion. Further, cuts to the program, coupled with prioritizing grants based on merit, will impact school choice for many low-income students wishing to enroll in a four-year university if they do not meet the new merit threshold.

### TUITION EQUALIZATION GRANT

The Tuition Equalization Grant (TEG) helps low-income college students by partially offsetting the higher cost of attending private institutions. Created in 1971, the TEG intends to promote diversity at independent institutions and increase college choices for students needing greater financial assistance to attend college. Like the TEXAS Grant, TEG awards are need-based but also require the student to meet certain academic standards. The 82nd Legislature cut funding for this grant by 20 percent or \$44 million.<sup>47</sup> TEG will serve 24,300 students in 2012-13, 2,200 fewer than in 2010-11. The maximum TEG award declined between 2010-11 and 2011-12 from \$3,800 down to \$3,500, the first decline in the program's history.<sup>48</sup>

### TEXAS EDUCATIONAL OPPORTUNITY GRANT

The Texas Educational Opportunity Grant (TEOG) serves community college students based on financial need. The TEOG has been historically underfunded, serving fewer than 5 percent of eligible students. With a 20 percent enrollment increase at Texas community colleges, the 2011 Legislature preserved level funding of the program at \$24.1 million for 2012-13.<sup>49</sup> The TEOG will serve 9,900 students during the biennium.

### COLLEGE WORK-STUDY

The Texas College Work-Study program enables students to work towards paying their college costs while enrolled in school. Texas College Work-Study employs a majority of recipients in on-campus jobs and pays 70 percent of a student's salary for jobs in the non-profit sector and 50 percent in the for-profit sector.

Like federal work-study, Texas College Work-Study provides students with job flexibility and increases student engagement on campus. Texas College Work-Study is a proven tool that yields better college persistence and success outcomes among all the financial aid programs in Texas.<sup>50</sup> The four-year graduation rate for College Work-Study is 27.7 percent compared to only 21.8 percent for students receiving aid but no Work-Study award.<sup>51</sup> The six-year graduation rate jumps to 59.8 percent compared to only 50.6 percent for other students receiving other types of aid.<sup>52</sup> The Texas Legislature kept funding levels the same at \$15.1 million for the 2012-13 biennium to serve 4,400 students.

### HB 3015 TUITION SET-ASIDES

As a part of tuition deregulation in 2003, which allowed institutions to set their own designated tuition, House Bill 3015 also mandates that institutions set aside at least 20 percent of tuition charged in excess of \$46 per semester credit hour to undergraduate students and 15 percent for graduate students to fund grant aid for students demonstrating financial need as determined by the Coordinating Board.<sup>53</sup> Institutions also are required to set aside 5 percent of tuition charged in excess of \$46 per semester credit hour to fund the B-On-Time (BOT) loan program.<sup>54</sup> In 2010, institutions set aside \$117 million in tuition for grant aid, and \$909,184 for work-study aid serving more than 63,000 students.<sup>55</sup> Between 2008 and 2010, grant set-asides increased 52 percent and work-study set-asides increased 16 percent.

### TEXAS PUBLIC EDUCATION GRANT

The Texas Public Education Grant (TPEG) provides institutional grants funded through tuition set-asides. Grants are made to students with financial need whose educational costs are not met through other sources of aid.<sup>56</sup> In 2010, public four-year institutions served 51,473 students with an average of \$1,495, and public community colleges served 37,119 students with an average of \$790.<sup>57</sup>



## Overview of Federal and State Loans

### **LOANS AND STUDENT DEBT**

Despite modest investments in grant aid nationally and in Texas, thousands of college students do not receive sufficient grant aid to meet their financial need.<sup>58</sup> Students and families rely on loans to meet the gap between grant aid and total cost of attendance. And federal loans account for a greater share of a student's federal financial aid package despite increases in grant aid, with two-thirds (67 percent) of Texas' federal financial aid funds served through loans.<sup>59</sup> As students and their families shoulder more postsecondary debt, it is important to understand the different types of loans available to Texas students.

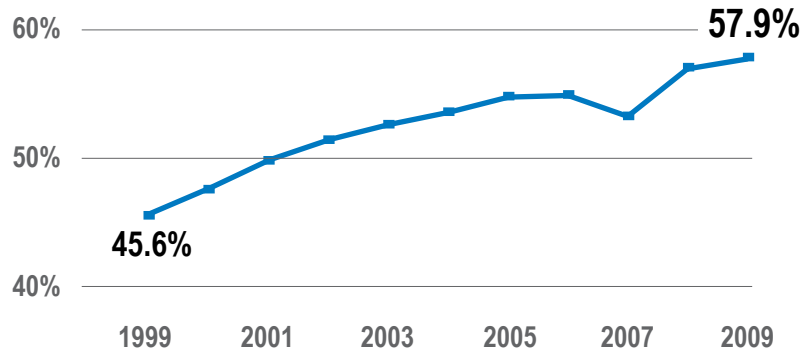
### FEDERAL LOANS

Students may receive any combination of three different types of student loans from the federal government—Perkins, subsidized, or unsubsidized loans. To receive a Perkins loan, a student must demonstrate a high level of financial need; the interest rate on this loan is only 5 percent. Students may also receive a combination of subsidized and unsubsidized loans, formerly known as Stafford loans. Subsidized loans currently have a fixed interest rate of 3.4 percent, but without Congressional action, the rate will double to 6.8 percent (the same as unsubsidized loans) after July 1, 2012.<sup>60,61</sup> Students must demonstrate a smaller level of financial need to qualify for either of these loans.

**SEE  
APPENDIX E**

## MORE COSTLY TO TEXAS STUDENTS

### GROWING SHARE OF FEDERAL LOANS ARE UNSUBSIDIZED



Source: U.S. Department of Education, Data Center, Includes Texas Public, Private and Proprietary two- and four-year colleges and universities <http://federalstudentaid.ed.gov/datacenter/studentaiddata.html>.

The U.S. Department of Education pays the interest for all of the subsidized loans while students are in school, while interest accumulates on the unsubsidized amounts and is added to the principal amount to be paid by the student.

After adjusting for inflation, total federal borrowing in Texas has more than doubled from \$2 billion in 1999 to \$4.8 billion in 2009.<sup>62</sup> In addition to rising college costs, loan volumes are up because more students are borrowing and they are increasingly borrowing at the maximum amount allowed.<sup>63</sup> Since the late 1980s Congress has increased the borrowing limit on subsidized and unsubsidized loan amounts three times. As a result, unsubsidized loans have accounted for a greater share of all federal loans due to a higher maximum allowable loan amount compared to the subsidized loan program.<sup>64</sup> In 1999, 46 percent of loans received by Texas students were unsubsidized.<sup>65</sup> That figure climbed to 58 percent in the 2008-09 academic year.<sup>66</sup>

### AVERAGE FEDERAL LOAN AWARDS AND INTEREST RATES IN TEXAS

	Average Award	Interest Rate	Percent of Students Receiving Loan
Perkins	\$2,435	5.0%	2.8%
Subsidized	\$3,317	3.4%*	29.7%
Unsubsidized	\$3,281	6.8%	21.9%
Plus Loans	\$10,324	7.9%	3.8%

Source: Powerstats, National Student Aid Survey, 2008 and U.S. Department of Education, Student Aid on the Web\* This rate will return to 6.8% in 2012.

SEE  
APPENDIX F

The U.S. Department of Education also offers Parent PLUS loans to families of dependent students. Families must be able to pass a credit check. The share of families receiving these loans is quite low with only 3.8 percent of all students relying on these loans, but the average amount of the loans is \$10,324.<sup>67</sup>

Federal student loans have a six-month grace period on repayment following graduation. After the grace period, students have various repayment options, including lowering the monthly payments based on their income, consolidating loans, and changing the payment due date. In the 2012 federal budget, Congress eliminated the interest subsidy during the grace period for loans originating between July 1, 2012, and July 1, 2014.<sup>68</sup>

Despite flexible repayment plans, many students struggle to repay their loans, and default rates continue to rise, especially for graduates of for-profit institutions. The fiscal year 2009 student cohort default rate in the United States was 8.8 percent, up from 7 percent in 2008.<sup>69</sup> The default rate for students at for-profit institutions jumped from 11.6 percent to 15 percent.<sup>70</sup> In Texas, the 2009 cohort default rate was above the national average at 10 percent.<sup>71</sup>

### STATE LOANS

The State of Texas also provides low-interest loans for students. Hinson-Hazlewood College Access (HHCA) is the largest loan program in Texas. HHCA loans are funded by general obligation bonds. Since the program began in 1965, Texas voters have approved six expansions of the program to provide \$2 billion in loans to more than 340,000 Texas college students. In 2011, voters approved Proposition 3 authorizing the Coordinating Board to issue additional general obligation bonds up to \$1.86 billion. Students and their families do not have to demonstrate financial need and can use these loans to replace all or part of their expected family contribution (EFC). All loans originated during the 2011-12 academic year will have a fixed interest rate of 5.25 percent, but the origination fee varies from 3 to 5 percent based on the recipient's credit standing.<sup>72</sup> Interest on HHCA loans is not capitalized and added to the principal upon graduation, thereby making the loan more affordable compared to federal and private loans.

Texas BOT offers another loan option for Texas students with an incentive to make good grades and graduate in four years. These loans do not need to be repaid, retroactively becoming grants, as long as a student maintains a 3.0 GPA and graduates within four years (or five years if enrolled in a five-year program). The BOT loan is not based on financial need and is interest free. The 82nd Legislature reduced BOT funding by 29 percent, serving about 3,900 in 2012-13 fewer students than during the previous biennium.<sup>73</sup>

Although the Legislature created the BOT loan program to help middle-income students pay for college, over 40 percent of recipients are low- to moderate-income with an expected family contribution of \$4,000 or below.<sup>74</sup>

The HHCA and BOT loan programs provide a more affordable option for students; however, federal regulations prohibit institutions of higher education from promoting non-federal loans to students. Federal regulations require institutions to fulfill an onerous set of "preferred lender arrangements" to be able to promote and package non-federal loans, including state loans.<sup>75</sup> Because of these rules, many Texas colleges and universities have pulled information on these loans from their websites, and are not packaging these loans unless students know to ask for these loans by name.

# ACCESS TO FINANCIAL AID



## What do students and parents know about financial aid and paying for college?

How and when students and parents learn about financial aid can greatly reduce barriers to higher education, yet many parents and students lack basic knowledge about college costs and available financial aid.<sup>76</sup> Students and parents of all income levels agree that information about the college application process and financial aid should be clearer and more accessible.<sup>77</sup>

What students and parents know about paying for college depends on income, ethnicity, age of the student, and the parents' level of education. For example:

- Awareness of financial aid programs, including the federal Pell Grant, is low among Latino parents, with 44 percent indicating in a survey that they were aware of the Pell Grant compared to 81 percent for whites and 82 percent for African Americans.<sup>78</sup>
- For parents with a high school degree or less, 62 percent were aware of the Pell, compared to 85 percent for those with an associate's degree.
- Fewer lower-income families are aware of the Pell Grant compared to higher-income families.<sup>79</sup> Low-income families are less likely to be enrolled in a college savings product or be saving for college, with 88 percent of the parents with income over \$100,000 saving for college, compared to 37 percent for parents with income below \$35,000.<sup>80</sup>
- While lack of money to save is cited as the biggest reason for not saving, 18 percent of parents said they do not know how, and 28 percent state that they don't know which products are the best options for saving for college.<sup>81</sup>

## FAFSA

Financial aid programs—state and federal—require students to submit the Free Application for Federal Student Aid (FAFSA). To complete the FAFSA, students must provide information about their household's income, assets, and tax returns from the previous year, as well as a Social Security number. The student's Expected Family Contribution (EFC)—the amount students and families are expected to contribute to college costs—is determined based on their FAFSA submission to the U.S. Department of Education. Students must resubmit the FAFSA every year they remain in school and wish to receive financial aid. The following chart shows estimated EFC based on household income.

### AVERAGE EXPECTED FAMILY CONTRIBUTION BY FEDERAL POVERTY INCOME LEVEL

Income as Percent of Poverty Line		Estimated Annual Family Contribution
0-150%	\$0 - \$30,975	\$628
151% - 300%	\$30,976 - \$61,950	\$5,112
301% - 500%	\$61,951 - \$103,250	\$12,762
501% +	\$103,251+	\$31,082

Source: Powerstats-National Student Aid Survey 2008, Federal Poverty Level, family of four, 2008.



# CHANGES TO THE “AUTO-ZERO EFC” IN THE 2012 FEDERAL BUDGET FURTHER SHIFTS BURDEN TO STUDENTS & FAMILIES

In the 2012 federal budget, Congress decreased the “auto-zero” threshold from \$32,000 to \$23,000 for dependent students, and independent students who have a dependent other than a spouse. The means that low-income families making between \$23,000 and \$32,000 in adjusted gross income will no longer receive an automatic expected family contribution of zero in their determination for financial aid eligibility. These students and families will see their expected family contribution increase on average by \$1,350 annually, while their Pell Grant award will decrease.

*Source: Mark Kantrowitz, “Summary of Student Financial Aid Cuts in the Consolidated Appropriations Act of 2012,” December 22, 2011.*

## FAFSA PREPARATION

Nationally, 90 percent of students who complete the FAFSA enroll in college compared to 55 percent for non-completers.<sup>82</sup> Unfortunately, the length and complexity of the FAFSA deters many students and families from applying for financial aid.<sup>83</sup> In Texas, one in five college students did not complete the FAFSA because they did not know how to apply.<sup>84</sup> The same number reported that the FAFSA was too much work, and two out of five Texas students reported they did not want to take on debt.<sup>85</sup> To simplify the FAFSA process, the U.S. Department of Education has developed an online platform that gives applicants the option of linking the online FAFSA form directly to the Internal Revenue Service which can automatically fill in taxpayer information on file.<sup>86</sup>

The Department of Education also recently launched the FAFSA Completion Pilot Project with 20 local partners across the country, including five areas in Texas, including Austin, Baytown, Dallas, Houston, and San Antonio. In participating districts, high school counselors were able to access the FAFSA completion status of students, identify non-completers, and target additional support and resources to encourage completion. With this type of real-time data, school administrators and other stakeholders can improve their college access outreach activities but this effort is limited to high school students, leaving out working adults who wish to pursue postsecondary education. The Department of Education has announced it will expand the FAFSA completion program to 100 sites across the country in 2012.

## EXCEPTIONS TO COMPLETING THE FAFSA

Students who do not have a Social Security number cannot file the FAFSA as they are not eligible for federal financial aid. With HB 1403 (2001), however, the Legislature granted in-state undocumented students the ability to apply for state financial aid.<sup>87</sup> To be considered for state aid, these students may either file a paper form of the FAFSA or a Texas Application for Student Financial Aid (TASFA), essentially a FAFSA-duplicate, with the State of Texas instead of the federal government.

According to the Coordinating Board, TASFA filers make up a small fraction of the student population, just over 9,000 out of over 1 million college-going students.<sup>88</sup> These students are eligible for a limited number of state grants or loans and are often lower on the priority list. When the Legislature slashes financial aid, these students are often the first ones to lose aid dollars.

# CHALLENGES IN FINANCIAL AID

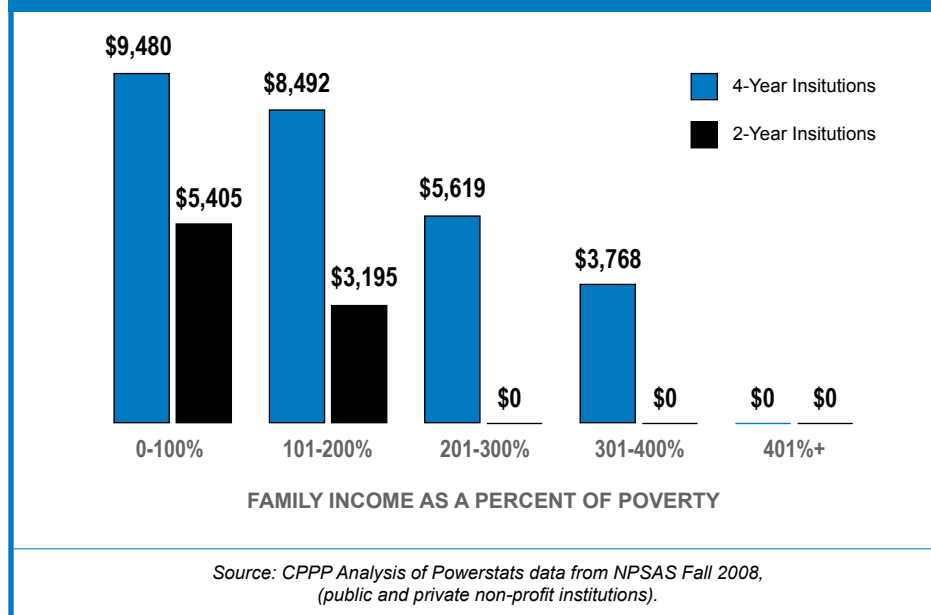


## Unmet Need: The “Other EFC”

After applying for financial aid, an eligible student is awarded a financial aid package with grants, loans, and/or work-study. Even after drawing down all available financial aid, nearly half of all students at two-year institutions (49 percent) and four-year (48 percent) public institutions have some level of unmet need.<sup>89</sup> Unmet need represents the gap between the total cost of attendance and total aid available to the student, including grants, loans, and expected family contribution.

As the chart below demonstrates, Texas students living in poverty have the highest level of unmet need compared to those living above the poverty threshold. Texas undergraduates at four-year institutions living below poverty had annual unmet need reaching \$9,480, while higher-income students had less than \$6,000 in unmet need.

### ANNUAL UNMET NEED HIGHEST FOR TEXAS' LOWEST INCOME COLLEGE STUDENTS



A closer look at statewide average Pell Grant awards at community colleges shows that a student who does not receive state aid and whose family is not expected to contribute funds to pay for college costs must cover nearly three-quarters (72 percent) of the total cost of attendance through other financial resources.<sup>90</sup> The gap between the Pell Grant and the total cost of attendance—tuition, fees, books, room and board—averages \$8,700 per student, which must be covered through loans, work, institutional aid and other sources such as savings.<sup>91</sup> This gap between federal aid and college costs is 73 percent or more than \$14,600 for students at public four-year institutions.<sup>92</sup> Even for those who receive a TEXAS Grant in addition to the Pell Grant, the gap between aid and total costs remains high at over \$6,900 for community college students, and \$8,500 at four-year institutions.<sup>93</sup>



## Challenges for Adult Students

State need-based financial aid programs primarily serve traditional-aged students who have recently graduated from high school. Prospective nontraditional college students have fewer state financial aid options compared to recent high school graduates. Under current guidelines, nontraditional adult students are only eligible for a TEXAS Grant if they graduated from a Texas high school after the 1998-99 academic year, or if they've earned an associate's degree within 12 months of enrolling in a four-year institution. Prospective college students who graduated from high school before the 1998-99 academic year are not eligible for a TEXAS Grant unless they've earned an associate's degree, thereby limiting their options for financial aid to attend a four-year program. Approximately 206,000 current Texas college students fall into this category.



## State Budgetary Delays

In Texas, the timetable for appropriating financial aid awards through the state budget is not aligned with the federal guidelines and timetables for postsecondary financial aid awards. Due to national standards, prospective freshmen must pay a non-refundable enrollment deposit by May 1 to the institution where they have been admitted and plan to enroll.<sup>94</sup> Because of this timeframe, Texas institutions begin notifying students of financial aid offers in March. Unfortunately, in Texas, institutions cannot guarantee state financial aid awards until the Legislature passes a budget, which usually takes place well after May. Therefore, it is difficult for students to determine whether or not they can afford a particular college. Too little grant aid in a financial aid award package could impact a student's college choice, whether they take out additional loans, or whether they forgo enrollment altogether. Without forward funding financial aid programs at least one year in advance of a biennium, institutions and students will continue to experience delays in financial aid awards, thereby jeopardizing college enrollment decisions and increasing student loan dependence.

# INNOVATIONS, BEST PRACTICES & RECOMMENDATIONS

To reach aspiring college students of all ages, the Texas Legislature, state policymakers, and higher education institutions can design and deliver financial aid programs that not only make college access a reality, but also encourage completion and success. To improve financial access and preparation for college, Texas should:

**Declare a statewide goal to reduce student loan dependence.** To prepare Texas' workforce and future leaders, state policymakers and institutions of higher education must work together to ensure a fair and balanced method of paying for postsecondary education. Loan dependence as a way to finance a student's college education is linked to lower persistence and success compared to need-based grant aid. Increasing state investments in grant aid, and supporting early college financial preparation through matched college savings accounts, are two strategies to reduce student loan dependence and promote college attendance and completion.

**Increase student support services.** Student support services such as academic and financial aid advising play an integral part in guiding students through their degree plan, and helping students understand how best to navigate their financial obligations during and after college, including debt repayment, default prevention, building savings, and budgeting, as well as their earnings potential based on their course of study and career path.

**Invest in state financial aid programs to reach more community college and adult basic education students.** To better address the needs of community college students balancing work, family, and post-secondary education, the Texas Legislature should increase investments in work-study and TEOG awards. In addition, adult basic education students co-enrolled in skill training should be granted tuition discounts or waivers. Students with access to adequate financial aid to cover tuition, fees, books, and room and board will be better positioned to persist and complete their degree or certificate, while minimizing their reliance on work and loans to cover their total cost of attendance.

**Reform TEXAS Grant eligibility criteria to serve nontraditional adult students.** The TEXAS Grant award eligibility should be expanded for non-traditional adult students wishing to pursue a four-year degree. Specifically, the Legislature should expand eligibility to students who graduated from a Texas high school before the 1998-99 academic year. This revision would further promote school choice for low-income adult students who otherwise would be required to obtain an Associate's Degree before becoming eligible for a TEXAS Grant.

**Invest in state financial aid along the education pipeline through early-commitment financial aid and other strategies.** Instead of investing at the end of a student's high school years, policymakers should pursue financial aid/account-based strategies that reward low-income students for achievement along the education pipeline. Providing students with a promise of financial aid in return for meeting various academic benchmarks and other college preparation activities such as opening a college savings account or completing a financial education course would promote academic preparedness and create a college-going culture.

**Build in financial aid incentives for college success.** The BOT loan program is a model example that enables students to cover college costs, while rewarding them for academic achievement. Even modest investments in the BOT loan

program, targeted at middle-income students, have benefited more than 13,300 college graduates since it began in 2004, with 6,700 meeting eligibility for loan forgiveness, and more than 6,600 receiving interest-free loans.<sup>95</sup> Overall, more than 36 percent of the first two BOT student cohorts in fiscal 2005 and 2006 benefited from loan forgiveness.<sup>96</sup> While the four-year graduation rate is higher for BOT loan recipients, the Coordinating Board can make specific changes to strengthen and expand the program to further incentivize college completion:

- The Coordinating Board should actively promote the BOT loan program through the College For All Texans website, and in collaboration with college-access organizations and other community-based organizations working with students and families.
- The BOT loan program should include an academic and loan counseling component to ensure students understand how the program works, what their responsibilities are associated with loan repayment if they do not meet the requirements for loan forgiveness, and strategies to avoid defaulting on their loan. Loan counseling and default prevention strategies should be modeled after similar programs used in federal loan counseling programs.

**Increase work-study investments to reach more students:** The Texas Legislature should increase investments in work-study programs that have demonstrated positive college completion outcomes for award recipients. And supporting a student's need to work a reasonable and flexible work schedule to cover costs would lessen their dependence on loans and provide them with the opportunity to build job skills and responsibilities through college. The Texas Higher Education Coordinating Board and institutions of higher education also can craft programs to increase student engagement by emphasizing on-campus employment in work-study awards.

In community colleges, where on-campus jobs may be limited, work-study should be expanded to place students into paid internship and apprenticeship programs in high-demand fields. These awards can be used to further expand existing and build new partnerships between community colleges, businesses and local workforce development boards.

**Forward fund state financial aid programs.** In 2013, the Legislature should begin forward funding state financial aid programs to ensure that the Coordinating Board has sufficient time to allocate funds to institutions. To make this transition, the 2013 Legislature needs to fund state financial aid awards for 2013-14, 2014-15, and for 2015-16, with funds being committed by August 31, 2015. Thereafter, the Legislature would only need to fund the last year of the biennium and the first year of the following biennium, with funds committed prior to August 3 for the second year of funding.

**Promote and fund matched savings accounts for college and other account-based scholarships for students—beginning no later than the 7th grade.** Texas should take full advantage of recent policy changes to the state's 529 plans—the Texas College Savings Plan and the Texas Tuition Promise Fund—which establish a public-private platform for matched college savings accounts for low- and moderate-income students. The Texas Save & Match, yet to receive public funding, seeks to enhance college access and success for families and students with high financial need. By making a small investment, the Legislature and the Texas Prepaid Higher Education Tuition Board can leverage additional private sector dollars to provide “early financial aid” through incentivized college savings accounts. Through the Match the Promise Foundation, a nonprofit established to accept private donations, Texas philanthropists have a secure platform to match savings guaranteed to be used for legitimate college expenses.



- : **Promote and fund early financial preparation strategies for college,**
- : **including FAFSA preparation and account-based financial education for**
- : **every Texas student in the K-12 system.** Texas can reach more aspiring college
- : students by promoting FAFSA and TASFA completion more broadly among those
- : most in need of resources to pay for college. Integrating FAFSA and TASFA
- : preparation assistance into existing platforms such as at Volunteer Income Tax
- : Assistance (VITA) sites, public school financial education courses and other
- : VITA-type delivery platforms can reorient students who assume college is out of
- : reach to learn how they can finance their education.
- :
- : Students and families need a financial aid system that is clear and predictable.
- : Providing information through the education pipeline is necessary to help
- : students prepare financially for college. Parents of elementary school students
- :
- :

## RECENT ACCOMPLISHMENTS IN COLLEGE PREPARATION

The 2011 Texas legislative session boosted efforts to increase financial stability and readiness for college through key proposals to educate and inform college hopefuls about paying for college.

### FINANCIAL EDUCATION

#### SB 290 – Integration of financial literacy instruction in the K-8 grades

SB 290 requires that financial literacy instruction be incorporated into math class in the K-8 grades. Currently, Texas students are only required to receive financial education instruction in the 12th grade. This bill is important because it ensures that financial education instruction begins earlier.

At its April 2012 board meeting, the State Board of Education approved curriculum to meet this requirement. The new curriculum includes content about the connection between educational attainment and earnings, along with instruction about financial preparation for postsecondary education. Teachers will be required to teach the new standards beginning in the 2014-2015 school year if instructional materials to teach the new standards have been made available to teachers.

#### HB 34 – Enhanced high school financial education requirement

HB 34 requires that instruction on paying for college be included as a topic covered in the high school financial education requirement, which is currently integrated into the economics course taken by high school seniors. HB 35 includes a provision requiring the curriculum to cover the federal financial aid application process. This legislation will better educate students and parents about the perils of excessive student borrowing, as well as the availability of federal and state grant aid, helping students and their families better prepare financially for college.

#### HB 399 – Financial literacy training at postsecondary institutions

HB 399 requires that institutions of higher education offer personal financial literacy training for adults and authorizes the training to be offered in an online course. One of the primary reasons students drop out of college is for financial reasons. This bill is important because it will provide financial education resources to students to help them better manage their finances while in college.

### COLLEGE SAVINGS ACCOUNTS

#### HB 3708 – Texas Save & Match Program

HB 3708 enhances the Texas Save & Match Program, which was established in 2007 to provide matching incentives for lower-income Texas families to enroll their children in Texas' Prepaid 529 college savings plan. Among other provisions, HB 3708 adds the Texas Save & Match program to Texas' 529 College Savings Plan. It also exempts college savings plans from asset limits when determining a family's eligibility for public health and other public assistance programs such as state financial aid.

should understand the basics of setting up a college savings account and how much they need to save. Middle school students should be aware of the steps to prepare for college both financially and academically. And high school students and their parents should have the basic knowledge and information about college costs, and the resources available to help them complete the FAFSA.

**Financial Preparation Strategies include:**

- **Promote public-private partnerships for FAFSA preparation.** The Coordinating Board should continue to promote outreach efforts designed to increase college access and success for low-income students.

The College Access Challenge Grant (CACG), a federal grant program which aims to increase the number of low-income students who are prepared to enter and succeed in college, provides matched grants to encourage federal, state, and local governments to partner with other agencies and institutions to engage in college access and awareness activities. The Coordinating Board should ensure that the CACG marketing campaign has clear and measurable outcomes that demonstrate students have a better understanding of how to plan and pay for college. Further, the Coordinating Board can apply CACG funds to fund FAFSA preparation activities at VITA sites where low-income families seek assistance in filing their annual tax return and other existing VITA-type platforms run by non-profit organizations. Using these existing platforms to deliver several

## OPPORTUNITIES TO SCALE COLLEGE PREPARATION ACTIVITIES STATEWIDE: FAFSA SATURDAYS – SAN ANTONIO AND AUSTIN

College access groups in Austin and San Antonio support FAFSA preparation activities to help boost college enrollment. The financial aid Saturdays' model brings together businesses, college access organizations, higher education institutions, schools, and other community groups to assist aspiring college students in applying for state and federal financial aid.

**AUSTIN:** The Austin Chamber of Commerce coordinates the Austin Financial Aid Saturdays [www.austinchamber-collegereadynow.org/](http://www.austinchamber-collegereadynow.org/).

**SAN ANTONIO:** The Greater San Antonio Chamber of Commerce, SA2020, San Antonio Education Partnership, GenerationTexas-San Antonio, and local colleges and universities lead the Student Aid Saturday workshops. [www.studentaidsa.org/](http://www.studentaidsa.org/).

San Antonio also has coordinated Café College, an initiative of the City of San Antonio, and managed by the San Antonio Education Partnership. The program is a one-stop clearinghouse of information, resources, services, and experts on college access and success to provide students of all ages and their families with the guidance, tools, and assistance to facilitate their college preparation, enrollment, and completion. It offers services on career awareness and preparation, college entry and enrollment, college admissions testing preparation, financial aid, and college transition through one-on-one assistance, workshops, and seminars.

<http://www.cafecollege.org/home>

# TEXAS COLLEGE ACCESS NETWORK (TXCAN)

Educate Texas—formerly the Texas High School Project—is a public-private alliance dedicated to improving college readiness of low-income students in Texas. Educate Texas leads the Texas College Access Network (TxCAN) efforts to promote greater collaboration and networking among higher education stakeholders, including institutions of higher education, school districts, college access organizations, state agencies and other community-based organizations working with students and families. TxCAN launched two pilot sites in north Texas and San Antonio to better connect higher education stakeholders to promote awareness of the college access and success work in Texas, align initiatives with shared goals, and impact outcomes with common data measurement across programs and organizations.

financial and college access activities in one location can greatly improve the college-going prospects for Texas’ aspiring college students, especially in low-income communities.

- **Make college-access and community-based organizations a prominent and integral partner in college preparation activities.** Non-profit organizations working with aspiring college students across the state play an important role in preparing students for getting into college and succeeding in their course of study. The Coordinating Board should enhance collaboration with college-access organizations through existing Board committees, including P-16 councils, and other advisory groups designed to address college access and success efforts in the state.

The Coordinating Board, in partnership with college-access organizations could further promote and expand current efforts to educate students and families about the college application process include information on state need-based financial aid eligibility requirements, as well as the availability of more affordable loan options such as the B-On-Time and HHCA loan programs that colleges and universities are prohibited from promoting. These collaborations should also ensure that students understand how to choose the right school and course of study based on their career goals.

## More Information

If you are reading in hard copy, visit [CPPP.org](http://CPPP.org) and look for this title for active URLs referenced in this report.

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The *OpportunityTexas* team also includes Don Baylor, Jr., and Laura Rosen.

Intern Rebecca Breeden contributed to this report.



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## Appendix A

### Institutional Eligibility

To receive financial aid, students must attend an accredited postsecondary institution. Institutions may be accredited by a state-approved agency.<sup>1</sup> While every accrediting agency has slightly different standards, these organizations ensure schools meet minimum academic and financial standards.

Schools receiving financial aid for their students must also meet Title IV eligibility requirements, set forth by the U.S. Department of Education. This eligibility has become more controversial recently as the U.S. Department of Education has adjusted some of the criteria to address potential problems with high student loan default rates at certain institutions.

During Fall 2010 and Spring 2011, the U.S. Department of Education reexamined the way default rates are measured and reported. In turn, the Department lowered the maximum allowable default rate for any institution over a period of time.<sup>2</sup> This policy change addressed a growing trend of for-profit institutions with much higher default rates than other types of institutions.<sup>3</sup>

Additionally, the U.S. Department of Education created a “gainful employment” clause as part of eligibility requirements. This institutional provision requires that students not take out loans with monthly payments exceeding 30 percent of their expected discretionary income or 12 percent of their total expected earnings.<sup>4</sup> If institutions do not meet these standards, the students attending these institutions will no longer be eligible for federal financial aid.

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1 Texas Higher Education Coordinating Board (THECB) provides a list of approved accrediting agencies at: <http://www.thecb.state.tx.us/index.cfm?objectid=106B5AA9-A772-2898-95ACD06B3A967717>.

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## Appendix B

SAMPLE GRANT COVERAGE AT TEXAS PUBLIC FOUR-YEAR COLLEGES & UNIVERSITIES			
		2010	
		Grant Aid	% of Cost Covered by Grant Aid
Average Awards in Texas by Major Programs	Pell	\$5,350	26.7%
	TEXAS Grant	\$6,080	30.4%
	Average Grant Aid Total	\$11,430	57.1%
Cost of Attendance		\$20,011	
Amount Remaining After State & Federal Grant Aid (EFC of \$0)		\$8,581	42.9%
Amount Remaining for Students NOT Receiving a Texas Grant (EFC of \$0)		\$14,661	73.3%
Source: CPPP Analysis, Texas Higher Education Coordinating Board and Department of Education Federal Student Aid Data Center, Note: Cost of Attendance Retrieved from THECB Report on Student Financial Aid in Higher Education 2003-2010. The Average cost of attendance is based on the costs for only students receiving financial aid. Award amounts are based on the maximum award available for fiscal year 2010 in each program.			

## Appendix C

SAMPLE GRANT COVERAGE AT TEXAS PUBLIC COMMUNITY COLLEGES			
		2010	
		Grant Aid	% of Cost Covered by Grant Aid
Average Awards in Texas by Major Programs	Pell	\$3,377	28.0%
	TEXAS Grant	\$1,780	14.8%
	Average Grant Aid Total	\$5,157	42.8%
Cost of Attendance		\$12,058	
Amount Remaining After State & Federal Grant Aid (EFC of \$0)		\$6,901	57.2%
Amount Remaining for Students NOT Receiving a Texas Grant (EFC of \$0)		\$8,681	72.0%
Source: CPPP Analysis, Texas Higher Education Coordinating Board and Department of Education Federal Student Aid Data Center, Note: Cost of attendance retrieved from THECB Report on Student Financial Aid in Higher Education 2003-2010. The Average cost of attendance is based on the costs for students receiving financial aid. The TEXAS Grant award amount is based on the maximum award available for fiscal year 2010. The Pell grant is the average Pell award amount at Texas public community colleges.			

## Appendix D

<b>FEDERAL GRANT AID &amp; WORK STUDY</b>					
	<b>Average Award</b>	<b>Award Range</b>	<b>Basic Eligibility</b>	<b>Eligibility</b>	<b>Institution Type</b>
<b>Pell Grant</b>	\$2,574	\$436 - \$5,550; Amount of aid changes with need	U.S. Citizen or Permanent Resident.	Exceptional Financial Need; Undergraduates enrolled at least part-time; SAP.	All
<b>Academic Competitive-ness Grant</b>	\$718	\$750 = 1st year; \$1,300 = 2nd year; Amount of aid changes with need	U.S. Citizen or Permanent Resident.	Exceptional Financial Need (Pell Grant Recipient) Undergraduate - 1st or 2nd year. HT+. Rigorous Secondary School Program.	All
<b>National Smart Grant Program</b>	\$3,171	Up to \$4,000; Amount of aid changes with need	U.S. Citizen or Permanent Resident.	Exceptional Financial Need (Pell Grant Recipient) Undergraduate - 3rd or 4th year. HT+. 3.0 GPA and specified major.	All
<b>Teach Grant Program</b>	\$3,272	Up to \$4,000	U.S. Citizen or Permanent Resident.	No Financial Need Necessary; Undergraduate, Postbac, or Masters. TEACH Grant eligible Program. 3.25 GPA	TEACH Grant Eligible Program
<b>Federal Supplemental Education Opportunity Grants</b>	\$696	\$100-\$4,000; Amount of aid changes with need	U.S. Citizen or Permanent Resident.	Exceptional Financial Need; Undergraduate. HT+. SAP.	All
<b>Federal Work Study</b>	\$1,959	No annual minimum or maximum	U.S. Citizen or Permanent Resident.	No Financial Need Necessary; Undergraduate	All
Source: U.S. Department of Education Data Center, Student Aid Data, 2009					

## Appendix E

FEDERAL LOAN PROGRAMS						
	Average Loan	Award Range	Basic	Eligibility	Institution Type	Interest Rate
<b>Perkins Loan</b>	\$2,435	Up to \$5,500 per year undergraduate, \$8,000 per year graduate.	U.S. Citizen or Permanent Resident.	Exceptional Financial Need; Undergraduate or Graduate. SAP.	All	5.0%
<b>Subsidized Loans</b>	\$3,317	Max of \$23,000. Between \$3,500 and \$5,500 per year undergraduate (both independent and dependent)	U.S. Citizen or Permanent Resident.	Some Financial Need; All students enrolled at least part-time	All	6.8%
<b>Unsubsidized Loans</b>	\$3,281	Max of \$8,000 undergraduate for dependent, Max of \$24,500 for independent. Between \$2,000 and \$6,500 per year.	U.S. Citizen or Permanent Resident.	No Financial Need Necessary; All students enrolled at least part-time	All	6.8%
<b>Direct Plus Loans (parents, graduate students, and professional degree students)</b>	\$10,324	Amount is limited by COA minus any other financial aid.	U.S. Citizen or Permanent Resident.	At least part-time; graduate students and parents of undergraduate students	All	7.9%
<b>Direct Consolidation Loans</b>	N/A	Varies depending on loan amounts.	U.S. Citizen or Permanent Resident.	All student borrowers with more than one federal student loan	All	Cannot exceed 8.5% *

Source: U.S. Department of Education Data Center, Student Aid Data, 2009 \*Fixed interest rate, and based on weighted average of interest on the loans being consolidated -rounded to the nearest 1/8 of 1%

## Appendix F

<b>TEXAS STATE FINANCIAL AID PROGRAM: GRANTS, LOANS, WORK-STUDY</b>						
	<b>Avg. Award 2009-10</b>	<b>Award Range</b>	<b>Students Served 2009-10</b>	<b>Basic Eligibility</b>	<b>Eligibility</b>	<b>Institution Type</b>
<b>Engineering Scholarship Program</b>	\$2,395	Up to \$5,000 per academic year.	216	No residency requirement	No financial need necessary; Undergraduate - 2nd year+. High School - Top 20%. GPA - 3.5.	Public or Private Institution
<b>Robert C. Byrd Scholarship</b>	\$1,435	Up to \$1,500 but will not be funded for 2011-2012 school year.	1,553	U.S. Citizen or Permanent Resident; Texas Resident	Undergraduate. Exceptional Academic Record.	Public or Private Institution
<b>Texas Educational Opportunity Grant Program</b>	\$1,586	Amount equal to the student's tuition and fees.	7,489	Texas Resident	Exceptional financial need. EFC less than \$2,000. Undergraduate. HT+	2-year Public Institution
<b>TEXAS Grant</b>	\$4,024	4-year institution: up to \$6,780. Community college: up to \$1,780. Technical college: up to \$3,150	68,119	Texas Resident	Some financial need. EFC less than \$4,000. Undergraduate. HT+. Complete Recommended or Distinguished High School Program.	Public Institution
<b>Texas Public Educational Grant</b>	\$1,276	Max award amounts set by each institution. Must not exceed student's financial need.	107,705	Texas Resident	Undergraduate. HT+	Public Institution
<b>Top 10% Scholarship Program</b>	\$1,993	Up to \$2,000	10,014	Texas Resident	Undergraduate. FT. Complete Recommended or Distinguished High School Program. High School - Top 10%	Public Institution
<b>Tuition Equalization Grant Program</b>	\$3,705	Up to \$3,518 (or \$5,277 for students with exceptional Financial Need).	27,988	Texas resident or non-resident National Merit Scholar	Undergraduate or Graduate. 3/4T+. National Merit Finalist.	Private Institution
<b>College Access Loans</b>	\$9,313	Cost of Attendance minus any other aid received.	8,140	Texas Resident	Some financial need. Undergraduate or Graduate. HT+. SAP.	All
<b>Texas B-On-Time Loan Program</b>	\$5,082	4-year Institutions: \$6,780. 2-year: \$1,780. Technical Colleges: \$1,575. Loan forgiven if student graduates in 4 years.	7,887	U.S. Citizen or Permanent Resident. Texas Resident	Some financial need. All students	All
<b>Texas Work Study Program</b>	\$1,427	Up to 70% of hourly wage	4,458	Texas Resident	Some financial need. Undergraduate	Public or Private Institution

Source: Texas Higher Education Coordinating Board, Report on Student Financial Aid in Texas Higher Education for Fiscal Year 2010, and Records Request Received, February 2012.







## BETTER TEXAS

We believe in Texas. We believe in the people of Texas—our friends and neighbors, our sons and daughters. All Texans. We stand for community. People from all walks of life. United. We stand for justice. Working to improve public policy. Advocating at the Capitol and on the Hill. We stand for telling the truth—respectfully but with courage. And we mean the whole truth based on hard facts and rigorous analysis. When 1 in 5 of us lives in poverty. 1 in 4 doesn't have health care. And 1 in 5 children in this state is at risk of going hungry. Things have to change. And that's why we're here. Together we can make our state a better place for all of us. A place of opportunity and prosperity. Because we all do better when we all do better. We never shy away from the tough conversations. About affordable health care, strong schools and colleges, good jobs, and child well-being. We stand for economic and social opportunity for all Texans. Because Texans believe in opportunity. For over a quarter of a century, we've strived to do our best. Finding meaning in our work. Fighting for what's right. Because we believe in a better Texas.

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